HIGH SCHOOL

LOUISIANA PERSONAL FINANCE



10 FULL-LENGTH PRACTICE TESTS

400 Original Questions

with Step-by-Step Explanations and a Quick Review

Reza Nazari

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Reference Sheet

Figures and formulas you may use on every test

You are not expected to memorize any of these. Every question that needs one of them can be answered with the figures below. Unless a question says otherwise, use 6.2% for Social Security and 1.45% for Medicare, assume no state or local income-tax withholding, and round money to the nearest cent.

Paychecks and taxes

- Social Security 6.2% of wages, up to $184,500 in 2026. Medicare 1.45% of all wages, no cap. The two together are 7.65%.
- Self-employment tax (simplified rule for this book): 15.3%, charged on 92.35% of net earnings. At high earnings the Social Security part stops at the wage base.
- Overtime for questions in this book: unless a question states otherwise, assume overtime is paid at 1.5 times the regular rate for hours over 40 in one workweek.
- Full-time year: $40 \times 52 = 2{,}080$ hours. Paychecks a year: weekly 52, biweekly 26, semimonthly 24, monthly 12.
- 2026 federal income tax, single filer: standard deduction $16,100; 10% to $12,400 of taxable income, 12% to $50,400, 22% to $105,700.

Saving, borrowing, and budgeting

- Deposit insurance: generally $250,000 per depositor, per insured institution, per ownership category.
- Compound interest $A = P(1 + r/n)^{nt}$. Rule of 72: years to double $\approx 72 \div$ rate.
- Loan payment $= P \times i \div (1 - (1 + i)^{-n})$, where i is the annual rate divided by 12 and n is the number of months.
- Credit card minimum, as stated on the statements in this book: the greater of $35 or (one month's interest + 1% of the balance). Monthly interest rate = APR $\div$ 12 (a simplification: real cards usually apply a daily rate to the average daily balance).
- 50/30/20: 50% of net pay to needs, 30% to wants, 20% to saving.
- Federal student loan rates, 2026–27: undergraduate 6.52%; graduate unsubsidized 8.07%; PLUS 9.07%.

Retirement and health

- Health claims: the deductible is paid first, then coinsurance applies to what is left, until the out-of-pocket maximum is reached.
- 2026 contribution limits, under age 50: 401(k) $24,500; IRA $7,500; HSA $4,400 self-only and $8,750 family; health FSA $3,400.
- 2026 high-deductible health plan minimums: deductible $1,700 self-only, $3,400 family; out-of-pocket maximum $8,500 and $17,000.

Louisiana facts (2026)

- State income tax: flat 3%.
- Minimum wage: $7.25 an hour (the federal rate).
- Statewide sales tax 5% (local taxes can add more).
- Minimum auto liability 15/30/25.
- State 529 college savings plan: START Saving Program.
- A state student-aid program: TOPS.

Figures marked with a year are dated. They are correct for 2026 and are printed here so that no question depends on recalling them.

Personal Finance Quick Review

The terms, formulas, and traps these tests keep coming back to

How to use this review. Read it once before Practice Test 1, then use it after each test: for every question you missed, find its card, reread it, and check the **Watch out** line—most missed questions fall into one of those traps. The six sections follow the core topics of personal finance, and together they cover every area on the Louisiana tests (the areas are listed on page 2). A **Numbers and Formulas** card closes the review.

1 Earning Income

Pay stubs, taxes, benefits, and careers

1.1 Reading a pay stub

Gross pay	everything earned before any deduction
Deductions	taxes, benefit premiums, retirement contributions
Net pay	what actually reaches the bank account
YTD	the running total from January through this check

gross pay → pre-tax deductions → taxes withheld → after-tax deductions → net pay

Pay periods per year: weekly 52, biweekly 26, semimonthly 24, monthly 12.

Watch out: biweekly (every two weeks, 26 checks) is not semimonthly (twice a month, 24 checks).

1.2 Hourly pay and overtime

Overtime in this book: unless a question says otherwise, hours over 40 in one workweek are paid at 1.5 times the regular rate.

Example: $18/hour, 46 hours → $40 \times 18 = \$720$; $6 \times 27 = \$162$; gross $882.

Annual from hourly: rate × 2,080 hours for a full-time year.

Watch out: only the hours *over* 40 earn the overtime rate, not the whole week.

1.3 Payroll taxes and income tax

- **FICA:** Social Security 6.2% (up to the annual wage cap) plus Medicare 1.45%; together 7.65%. Self-employed workers pay 15.3% on 92.35% of net earnings (the simplified rule this book uses; at high earnings the Social Security part stops at the wage cap).
- **W-4:** tells the employer how much federal income tax to withhold. **W-2:** the employer's year-end summary of wages and withholding. **1040:** the individual tax return.
- **Taxable income** = income − deductions (for most filers, the standard deduction).
- **Marginal brackets:** each rate applies only to the income inside its bracket.

Watch out: moving into a higher bracket does not raise the tax on all your income—only on the dollars above the line.

1.4 Total compensation and careers

Compare job offers on **salary − your yearly premiums + employer match and other benefits**, not salary alone.

Education and training: weigh the full cost (tuition, fees, living costs, interest on loans) against the added earnings. Grants and scholarships are not repaid; loans are.

Watch out: a higher salary can be worth less once a large health premium and a missing retirement match are counted.

2 Spending
Budgets, consumer choices, cars, and housing

2.1 Budgets

Budget = a plan for net (take-home) pay. **Needs** (rent, utilities, groceries, transportation, insurance), **wants**, and **saving**.

50/30/20: 50% needs, 30% wants, 20% saving, each of net pay.

Fixed expenses stay the same each month; **variable** expenses change.

Sinking fund: set aside a bill's cost month by month: a \$588 six-month premium $\rightarrow \$588 \div 6 = \$98$/month.

Watch out: build a budget from net pay, not gross pay.

2.2 Smart buying

- **Unit price** = price ÷ quantity; compare in the same unit.
- **Sales:** a 20% discount then 10% off the sale price is 28% off, not 30%.
- **Sales tax** applies to the price after discounts.
- **Opportunity cost:** the value of the next-best choice you give up.

Watch out: two discounts in a row do not simply add.

2.3 Buying or leasing a car

Total cost of a loan = down payment + (monthly payment × months).

Total cost of a lease = due at signing + (payment × months) + end-of-lease fees; at the end you own nothing.

Ownership costs beyond the payment: insurance, fuel, maintenance, registration.

Watch out: the lower monthly payment is not the lower total cost; a longer loan usually costs more interest.

2.4 Housing and living on your own

- **Move-in cost** for a rental: first month's rent + security deposit (plus any fees).
- A common guideline keeps rent near or below about 30% of gross income.
- **Renters insurance** covers your belongings; the landlord's policy covers the building.
- **Buying** adds a down payment, closing costs, property tax, insurance, and repairs to the mortgage payment.

Watch out: a security deposit is refundable if the unit is left in good condition; it is not rent.

2.5 Consumer protection and scams

Warning signs: pressure to act now, payment by gift card or wire, requests for passwords or account numbers, and offers that sound too good to be true. Read a contract before signing; know the return policy and warranty.

Watch out: a legitimate bank or agency will not ask you to "verify" your password by text or email.

3 Saving
Accounts, fees, interest, and goals

3.1 Accounts, fees, and protection

Checking	everyday payments; debit card, transfers
Savings	earns interest; for goals and emergencies
Overdraft	spending more than the balance; often triggers a fee
Deposit insurance	FDIC (banks) or NCUA (credit unions): generally \$250,000 per depositor, per insured institution, per ownership category

Emergency fund: commonly three to six months of essential expenses.

Watch out: deposit insurance protects deposits if the institution fails; it does not cover investments or theft from your own mistakes.

3.2 Simple and compound interest

Simple: $I = Prt$. \$2,000 at 4% for 3 years $\rightarrow \$240$.

Compound: $A = P(1 + r/n)^{nt}$: interest earns interest.

Rule of 72: years to double $\approx 72 \div$ rate; at 6%, about 12 years.

APY includes compounding, so compare savings accounts by APY.

Watch out: write the rate as a decimal: $4\% = 0.04$, not 4.

18) Amara Okafor, who lives in Baton Rouge, is offered a $109.00 protection plan on a washing machine costing $720.00. About 15% of these machines need the covered repair within the plan's term, and that repair costs $395.00. What is the expected cost of the repair without the plan?

(A) $59.25
(B) $108.00
(C) $395.00
(D) $109.00

19) Amara Okafor is a software architect whose wages year to date are $179,900. The next semimonthly check is $8,200.00 of gross pay. Using the reference figures for 2026, what is the Social Security withholding on that check?

(A) $627.30
(B) $118.90
(C) $285.20
(D) $508.40

20) Aisha Robinson, a Monroe resident, is offered the same work either as an employee at $20 an hour or as an independent contractor at $22 an hour. Why is the $22 rate less of a raise than it looks?

(A) Contractors pay a higher federal income tax bracket than employees on the same income
(B) Contractors cannot deduct any business expenses from their income
(C) As a contractor she pays both the employee and employer shares of Social Security and Medicare, and no tax is withheld for her
(D) Contractors owe Social Security tax but are excused from Medicare tax

21) Omar reviews his checking statement and sees that a $62 debit card purchase at a store was charged twice. What should he do?

(A) Wait for the store to notice and refund the extra charge on its own
(B) Accept the charge, since only credit cards come with error-dispute rights
(C) Notify his bank of the error promptly, within 60 days after the statement was sent, so the bank must investigate
(D) Close the account right away, which automatically reverses any errors on it

22) A 16-year-old signs a contract for a used car without a parent. Why might the contract be hard to enforce against the teen?

(A) Minors' contracts are automatically void, so neither side ever has to perform
(B) Car contracts are valid only if a notary stamps them
(C) Dealers must give every buyer a 30-day right to return a car
(D) Minors generally lack full legal capacity, so many of their contracts can be canceled

23) Under the federal Credit CARD Act, what must a person under 21 generally show to open a credit card alone?

(A) Ownership of a home
(B) A college diploma
(C) Independent income to repay the debt
(D) A credit score above 800

24) Rosa Delgado's online cart totals $42. The store offers $10 off orders of $50 or more, so she adds a $12 item she had not planned to buy. Compared with checking out as planned, how does her spending change?

(A) She saves $10
(B) She spends $12 more
(C) She saves $2
(D) She spends $2 more

25) Amara Okafor needs a ride home after a game. The app quotes $31.50 and says fares are currently 1.75 times the usual price. Surge pricing near the stadium usually ends about 20 minutes after games. About how much would she save by waiting until the usual fare returns?

(A) $23.63
(B) $13.50
(C) $1.75
(D) $18.00

26) Thabo Molefe and Camila Reyes rent an apartment for $1,750 a month. They agree that Thabo pays 58% of the rent for the larger bedroom and that utilities of $168.00 are split evenly. What does Thabo owe for the month?

(A) $1,015.00
(B) $1,099.00
(C) $959.00
(D) $1,112.44

27) In Hammond, Mei Lin's debit card is stolen on Saturday, and she notices it missing that evening. Before she calls her bank on Monday, which is within two business days, the thief spends $900. Under federal rules for debit cards, what is the most she can be held responsible for?

(A) $500
(B) $900
(C) $0 under federal law in every case
(D) $50

28) Yusuf Demir is paid the same gross amount every period at Delgado Roofing. The earnings statement below is for the current period.

Delgado Roofing	Yusuf Demir	Amount
Gross pay, this period		$903.20
Gross pay, year to date		$13,548.00
Federal income tax, this period		$67.00
Social Security, this period		$56.00
Medicare, this period		$13.10
Net pay, this period		$767.10

How many pay periods has Yusuf been paid so far this year?

(A) 15
(B) 26
(C) 14
(D) 16

29) Amara Okafor, who lives in Houma, reviews the retirement plan statement below.

Castellano Tile retirement plan	Amara Okafor	Amount
Employee deferral, year to date		$14,200
Employer match, year to date		$7,100
Investment earnings, year to date		$410
Remaining employee room for the year		_____

Using the 2026 contribution limit in the reference figures, how much more may Amara defer from pay this year?

(A) $14,200
(B) $24,500
(C) $10,300
(D) $9,890

30) On a car-loan application, Keisha Batiste of Monroe lists gross income of $3,500 a month and existing debt payments of $420 a month. The lender will approve total monthly debt payments, including the new loan, of up to 36% of gross income. What is the largest new monthly car payment it will approve?

(A) $1,260
(B) $420
(C) $630
(D) $840

31) Kayla Brooks of Ruston wants a laptop that costs $600 in cash. A rent-to-own store offers the same laptop for $25 a week, and she owns it only after all 52 payments. If she instead saves $25 a week and pays cash, about how long will she wait, and how much will she save compared with the rent-to-own plan?

(A) About 52 weeks, saving $700
(B) About 24 weeks, saving $700
(C) About 24 weeks, saving $1,300
(D) About 28 weeks, saving $700

32) Lucas Ferreira's fund in a regular brokerage account pays $400 of dividends this year, and all of it is automatically reinvested in more shares. How should the dividends be treated for federal taxes?

(A) They are taxable this year, and the reinvested $400 adds to his cost basis
(B) They are not taxed until he sells the shares, since he got no cash
(C) They are taxable this year and taxed again as gain when he sells
(D) They are tax-free because they were reinvested in the same fund

33) What does a federal Direct Consolidation Loan do?

(A) Combines federal and private student loans into one new federal loan
(B) Combines eligible federal student loans into one loan with a single payment
(C) Lowers the interest rate far below the old loans' average
(D) Turns the loans into private loans